

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 NSC-04 NSCE-00 SSO-00

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 6933

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LIMDIS GREENBACK

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: FRENCH VIEWS ON NEGOTIATIONS FOR OECD

SOLIDARITY FUND

1. SUMMARY. FRENCH TREASURY DIRECTOR LAROSIERE HAS ASKED US TO TRANSMIT URGENTLY TO WASHINGTON FRENCH VIEWS ON TWO POINTS WHERE U.S. AND FRENCH POSITIONS DIFFER RE PROPOSED OECD FINANCIAL SOLIDARITY FUND. FIRST, FRENCH FAVOR RULE OF UNANIMITY FOR ANY DECISIONS TO RENEW BEYOND INITIAL TWO YEARS OR INCREASE AMOUNT ABOVE INITIAL \$25 BILLION. FOR REASONS OF RELATIONS WITH FRENCH PARLIAMENT, FINANCE MINISTER FOURCADE PERSONALLY ATTACHES GREAT IMPORTANCE TO THIS MATTER. SECOND, FRENCH WANT FUND TO BE "WITHIN OECD FRAMEWORK," RATHER THAN RELATIVELY INDEPENDENT ENTITY.

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2. LAROSIERE, DIRECTOR OF TREASURY IN FRENCH FINANCE MINISTRY, THIS MORNING ASKED US TO TRANSMIT URGENTLY TO WASHINGTON FOLLOWING FRENCH VIEWS RE NEGOTIATIONS ON OECD FINANCIAL SOLIDARITY FUND. HE URGED FAVORABLE U.S. CONSIDERATION FOR THESE POSITIONS.

3. RE PROVISIONS TO EXTEND ARRANGEMENT BEYOND INITIAL TWO-YEAR LIFE OR INCREASE AMOUNT ABOVE INITIAL \$25 BILLION, FINANCE MINISTER FOURCADE PERSONALLY ATTACHES GREAT IMPORTANCE TO FRENCH POSITION THAT THESE MATTERS SHOULD BE SUBJECT TO UNANIMOUS AGREEMENT OF ALL SIGNATORIES RATHER THAN BEING SUBJECT TO DECISION BY 75 PERCENT OF TOTAL VOTING STRENGTH, AS PROPOSED BY U.S. HE INSTRUCTED LAROSIERE TO BRING HIS VIEWS URGENTLY AND FORCEFULLY TO ATTENTION OF U.S. AUTHORITIES. REASON UNDERLYING THIS FRENCH POSITION IS POLITICAL. THEY WILL OBTAIN AUTHORIZATION TO PARTICIPATE IN FUND FROM FRENCH PARLIAMENT ON FOREGOING TERMS, AND THEY DO NOT FEEL THAT IT WOULD BE SATISFACTORY, AS IN U.S. PROPOSAL, ONLY TO HAVE ALTERNATIVE OF WITHDRAWING ENTIRELY FROM ARRANGEMENT IF THEY DID NOT AGREE WITH CONDITIONS FOR RENEWAL OR INCREASE OF AMOUNT APPROVED BY 75 PERCENT VOTE. LAROSIERE STRESSED THAT FRENCH POSITION WAS SHARED BY BOTH GERMANS AND JAPANESE. HOWEVER, UNLIKE GERMANS, FRENCH DO NOT AT ALL EXCLUDE IDEA OF EXTENDING FUND BEYOND TWO YEARS OR INCREASING TOTAL AMOUNT. INDEED, THEY ARE ENTIRELY OPEN-MINDED ON THESE MATTERS. THEIR PREOCCUPATION IS FOR RELATIONS BETWEEN FRENCH EXECUTIVE AND FRENCH PARLIAMENT.

4. LAROSIERE SAID SECOND MATTER OF CONCERN TO FRENCH WAS RELATED TO JURIDICAL STATUS OF FUND AND ITS RELATIONSHIP TO OECD. WHILE FRENCH HOPED U.S. COULD MEET THEM ON THIS QUESTION, IT WAS OF LESS IMPORTANCE THAN POINT DISCUSSED IN PARA 3 ABOVE. U.S., SUPPORTED ONLY BY JAPAN, WANTED FUND TO BE RELATIVELY INDEPENDENT OF OECD. FRANCE AND OTHER PARTIES TO NEGOTIATION FAVORED ARRANGEMENT WHEREBY FUND WOULD BE "WITHIN LIMITED OFFICIAL USE

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OECD FRAMEWORK." ACCEPTANCE OF FRENCH POSITION WOULD HAVE FOLLOWING CONSEQUENCES. ADMINISTRATIVE EXPENDITURES OF FUND WOULD BE INCLUDED WITHIN PART II OF OECD BUDGET; FUND PERSONNEL WOULD BE FURNISHED BY OECD SECRETARIAT; LEGAL IMMUNITIES OF FUND WOULD BE THOSE OF OECD, RATHER THAN BEING DEFINED SEPARATELY. TO NAIL DOWN THE POINT, FUND WOULD BE CREATED BY RESOLUTION OF OECD COUNCIL. LAROSIERE UNDERLINED THAT

THIS HAD BEEN PROCEDURE ADOPTED IN CASE OF IEA. (HE ALSO MENTIONED FRENCH WOULD LIKE INTERPRETATION OF AGREEMENT ON FUND TO BE HANDLED NOT BY ITS MANAGEMENT COMMITTEE, BUT RATHER BY HAGUE COURT OR AD HOC ARBITRAL PANEL.) WE QUESTIONED HIM AS TO WHAT MIGHT BE DIFFERING PRACTICAL CONSEQUENCES BETWEEN

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ARRANGEMENTS FAVORED BY FRANCE AND THOSE WHICH U.S. WAS URGING. HE REPLIED THAT THERE WERE NO IMPORTANT PRACTICAL CONSEQUENCES AND THAT THIS MATTER WAS QUESTION OF PRINCIPLE FOR FRANCE.

5. LAROSIERE URGED THAT U.S. GIVE URGENT AND CAREFUL ATTENTION TO HIS REPRESENTATIONS AND MAKE EVERY EFFORT TO ACCOMMODATE FRENCH VIEWPOINTS. BY WAY OF BACK-GROUND, HE REITERATED THAT FRANCE WAS FAVORABLY

DISPOSED TOWARDS SOLIDARITY FUND PROPOSAL AND HAD
TRIED TO BE GENERALLY HELPFUL IN MOVING NEGOTIATIONS
ALONG. THUS, THEY HAD NOT RAISED ANY QUESTION ABOUT
PROPOSED \$25 BILLION AMOUNT, EVEN THOUGH THEIR
PREFERENCE WOULD HAVE BEEN FOR A SMALLER FIGURE, WITH
CORRESPONDINGLY LARGER 1975 FIGURE FOR IMF OIL
FACILITY. NOR HAD THEY RAISED ANY PROBLEM ABOUT
EXCEPTIONAL ARRANGEMENTS FOR GERMANS TO CONTRIBUTE
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THROUGH GUARANTEE OF BORROWINGS RATHER THAN
DIRECTLY, EVEN THOUGH THIS MEANT THERE WOULD NOT BE
EQUALITY OF TREATMENT AMONG PARTICIPANTS. THUS, IT
WAS FRENCH HOPE U.S. COULD NOW TAKE IN THEIR DIRECTION
THE TWO SMALL STEPS OUTLINED ABOVE.
RUSH

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